

City of Falls Church

Meeting Date: 2-28-11	Title: ORDINANCE TO AMEND CHAPTER 42, "UTILITIES," TO REVISE SEWER RATES AND FEES (TO11-01)	Agenda No.: 10 (a) (1)
Proposed Motion: MOVE to adopt (TO11-01).		
Originating Dept. Head: Brenda Creel, General Manager, DES 703.248.5114 Robert Etris, Public Utilities Director 703.248.5335 Richard La Condre, CFO 703.248.5092		Disposition by Council: Passed 1 st Reading
City Manager: Wyatt Shields 703.248.5004 FWS 2-23-2011	City Attorney: John Foster 703.248.5010 JEF 2-23-11	CFO: Richard La Condre 703.248.5092 RAL 2-23-11

REQUEST: City Council is requested to adopt (TO11-01) establishing sewer rates and fees by Ordinance. The Council voted on 1st reading for this ordinance on February 14, and the ordinance is now before Council on 2nd reading and final passage.

RECOMMENDATION: The staff recommendation is passage of (TO11-01), pursuant to the consultant's recommendations. The Public Utilities Commission met on December 14, 2010 to review the consultant's proposal, and unanimously recommended approval.

BACKGROUND: Given capital costs incurred in the Sewer Utility Fund to comply with EPA mandated waste water treatment plant upgrades, the City has anticipated that sewer rates would need to be increased in FY2012. In May 2010, the firm of Municipal Financial Services Group (MFSG) was awarded a financial consulting services contract to evaluate the City's sewer charges. The purpose of this study is to evaluate the adequacy of the commodity charges and fees to support the operational and capital costs of the sanitary sewer system. The resulting study found that the current fee structure does not provide sufficient revenue for the operation of the system.

Currently, the City's commodity charge for sanitary sewer is \$5.91 per 1,000 gallons as last established in 2005. MFSG is recommending that the City increase its sewer commodity charge to \$7.25 per 1,000 gallons. These additional revenues are required for system operation and maintenance, planned capital improvements, outstanding and future debt, and contributions to reserves. In particular, additional revenues are required to meet the capital costs incurred for treatment plant upgrades at the Four Mile Run Treatment Plant (operated by Arlington County) and the Alexandria Treatment Plan (operated by the City of Alexandria), as mandated by the U. S. Environmental Protection Agency. The upgrades will allow both plants to meet enhanced nitrogen removal requirements designed to improve water quality in the Chesapeake Bay.

In addition to the recommended sewer commodity charge, MFSG recommends that a quarterly fixed charge of \$5.00 be instituted. According to the Water Environment Federation, Manual of Practice no. 27, Financing and Charges for Wastewater Systems,

meter reading, billing, collection and customer service costs may be recovered through a fixed service charge component of the sewer rate structure because these costs are fixed and independent of the amount of sewage collected or treated. In FY 11, administrative and customer service costs make up 16% of the City's total sewer budget. Although the recommended service charge does not cover 100 percent of the above-mentioned costs, instituting the charge now provides the sewer fund with a mechanism to do so in the future. Customers who have little or no usage will still be required to pay a portion of the fixed administrative and customer service costs that are incurred by the City to serve that customer.

The attached Ordinance establishes sewer rates and fees consistent with the State Code, which requires sewer fees and commodity charges to be established by ordinance.

FISCAL IMPACT: This measure will provide revenues required to assure the continued financial health and stability of the sewer fund and to meet the capital needs of the City's sanitary sewer system.

TIMING: Routine.

(TO11-01)

**ORDINANCE TO AMEND CHAPTER 42, "UTILITIES," TO REVISE
SEWER RATES AND FEES**

THE CITY OF FALLS CHURCH, VIRGINIA, HEREBY ORDAINS THAT Chapter 42, "Utilities," of the Code of the City of Falls Church, VA, Section 42-172, "Availability charge" is hereby amended as follows:

Sec. 42-172. - Availability charge.

(a) *Classification of customers...*

(b) *Definitions...*

(c) *Advance quarterly use...*

(1) The first bill...

(2) The sewer charge as determined by the appropriate method noted above shall be ~~\$5.94~~ **\$7.25** per thousand gallons of water billed.

(3) A fixed charge of \$5.00 shall be included in each bill.

(d) *Sewer Revenue Fund...*

This ordinance shall become effective on July 1, 2011.

1st Reading: 2-14-11

2nd Reading: 2-28-11

Adoption: _____

(TO11-01)